

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1777 - SB 1885

March 29, 2011

SUMMARY OF BILL: Creates the "Land Bank Authority Act" which authorizes local governments to create a Land Bank Authority (LBA) to which property sold for delinquent taxes and subsequently coming under local government ownership could be conveyed. Authorizes the LBA, upon local government authorization, to accept property in lieu of foreclosure or sale of the tax lien. Prohibits LBAs from assessing taxes or exercising the power of eminent domain. Authorizes LBAs to take actions necessary to preserve the value of property held by it. Exempts all property conveyed to the LBA from state and local taxes. Requires the return to the local government of all funds received by the LBA as payment of taxes, penalties, or interest from the redemption or sale of property on a pro rata basis in an amount equal to delinquent taxes, penalties, and interest owed on the property. Requires each LBA board to have no fewer than seven members who serve four year terms. Authorizes dissolution of the authority by a vote of at least five board members. Requires any remaining balance in LBA funds to be transferred to the general fund of the local government creating the authority. Requires LBAs to report all activities biennially to the General Assembly.

ESTIMATED FISCAL IMPACT:

Increase Local Expenditures – \$1,000/Permissive

Other Fiscal Impact – Transferring delinquent tax properties to an LBA will effectively render the title clear and marketable thus increasing the probability the property could be sold to private entities and eventually returned to the county tax roll. Due to multiple unknown factors, including the number of properties transferred to any LBA, the length of time the property will remain under authority of the LBA prior to sale, and the final sale price transferred to local government general funds, a precise impact to local governments cannot be determined but is estimated to positively increase local revenue.

Assumptions:

- The number of LBAs that will be created is unknown but is estimated to be at least one.
- If all taxing jurisdictions approve a LBA to accept property in lieu of foreclosure or sale of the tax lien, then those taxes are not extinguished.
- Analysis of Land Bank Authorities created in the City of Valdosta, Georgia, and Louisville, Kentucky, indicated a positive but unknown and immeasurable fiscal impact to local governments.

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- The total number of properties transferred to the LBA is unknown. Although properties will be exempt from taxes, there will be no significant decrease to local revenue because only properties subject a tax lien sale as a result of delinquent property taxes will be subject to transfer.
- The average time each property will be held by the LBA is unknown. Properties will remain exempt from taxes until the time that they are conveyed to a private entity. Once conveyed, properties will be subject to property taxes as the applicable local rate.
- Local governments currently provide minimal maintenance on properties for which tax liens are imposed. LBAs will not conduct significant property maintenance or repairs beyond those currently conducted by local governments.
- LBAs will not pursue properties requiring environmental mitigation or restoration.
- The total average cost to local governments to conduct foreclosure proceedings is estimated to be \$2,000 per property. Authorizing LBAs to accept properties will result in cost avoidance to local governments by an amount that cannot be determined.
- LBA Board members will serve four year terms. In appointing initial members, two members will serve for four years, one will serve three years, and one will serve for two years. Estimate assumes the remaining three members will serve four year terms.
- LBAs will meet monthly.
- Board members will be reimbursed for travel. Estimate assumes 25 total miles round-trip per meeting resulting in an increase to local expenditures of \$966 (7 members x 25 miles x \$0.46 x 12 meetings).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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